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Argentina: Problems for Martinez de Hoz?

1,2 Opponents of Economy Minister Martinez de Hoz, architect of the junta's economic recovery plan, may be planning to discredit him by publicizing alleged abuses by Ministry officials. Such charges would add to existing popular dissatisfaction with the junta's economic austerity program.

1,2 Those opposed to Martinez de Hoz hope to force the regime to alter substantially its strongly market-oriented approach, which stresses incentives to business and agriculture, austere fiscal and wage policies, and relaxed controls on foreign investment.

1,2 Criticism of the junta's plan--from Peronists, labor leaders, politicians, and some influential military officers--reflects a deep-seated clash of interests that lies at the heart of Argentina's political turmoil. While there is no broad agreement among these sectors as to how the economy should be administered, each for its own particular reasons has registered disapproval of the current plan.

1,2 One of the alleged improprieties was a large-scale illegal foreign currency operation involving high banking officials. A government investigation reportedly concluded that Martinez de Hoz was not implicated, but some officials are convinced he knew about the scheme and did nothing to stop it. In the other impropriety, officials of the National Bank made loans to private bankers at noncommercial rates which allowed the recipients to reloan the money at considerable profit.

1,2 The president of the National Development Bank has already resigned, possibly to avoid the repercussions of public disclosures. But in the arcane world of Argentine politics, another explanation is possible. The former bank head, closely tied to a number of the opponents of Martinez de Hoz, is regarded as a potential successor to

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the minister. He may well have pulled out to avoid close identification with an economic program that could become widely unpopular.

2 The most obvious point of popular dissatisfaction is the squeeze on personal income as prices rise in the face of controls on salaries. Inflation for January--over 13 percent--was the highest recorded for any month since late 1976. This greatly unsettled the government, which is publicly committed to a dramatic reduction of the galloping inflation it inherited.

2 But opposition to the plan of Martinez de Hoz goes much deeper. The pro-business, internationalist orientation of the junta's policy runs against the nationalist and populist grain of urban workers, middle class wage earners, Peronists, and other politicians who purport to speak for these groups. Orthodox Peronism, in fact, stresses income redistribution in favor of workers, strong controls on foreign investment, and minimizes the importance of agriculture. Those differences, which the country's weak political institutions have consistently failed to moderate, have resulted in political instability since the 1940s.

2 Whether the charges of improprieties can be used successfully is problematical. In the first place, public opinion may not run strongly against Martinez de Hoz for the deeds of his associates at a time when he had his hands full with policy matters. Moreover, in a society where official malfeasance is almost a way of life, the public is not easily shocked. Indeed, these irregularities, if surfaced, may pale in comparison to the flagrant abuses of the ousted Peronists.

2 Nonetheless, Argentines will continue to grumble. It seems likely that as the junta's other main problem--leftist terrorism--recedes, there will be even harsher scrutiny of economic performance.

2 The chief source of potentially serious problems is labor, long the best organized and most potent civilian political group. Workers have already defied the junta's ban on strikes to protest the austerity program. The government has attempted to mollify workers by increasing the amount by which wages can be raised. While

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total remuneration for workers has tended to rise over the past year, labor is still substantially behind the levels of real income it enjoyed under the Peronists. Thus, since Argentine political groups view each other strictly as enemies to be vanquished, it is unlikely that labor sees this token wage flexibility as a conciliatory gesture to be requited by its cooperation and forbearance. Workers probably see this as a sign of weakness and an invitation to further challenges on their part.

2 Some top military men are actively seeking to undermine Martinez de Hoz. Chief among them is Admiral Massera, who has made no secret of his dissatisfaction with the junta's economic policies. Several other top officers, such as the commander of the Buenos Aires regional Army corps, also are highly critical, though they do not appear to share a common view of what solutions are appropriate. The dissatisfied officers are regularly advised by several Argentine economists holding a variety of views.

2 So far, Videla and his chief economic aide do not appear inclined to back down. Indeed, Martinez de Hoz still appears to have the support of the Army, by far the most influential of the armed forces.

2 Nonetheless, the issue is by no means decided. The key will probably be the performance of the economy over the next few months. An upturn from the recession or a breakthrough on the inflation front could take the wind out of the sails of the detractors. But a continuation of current economic trends will make Martinez de Hoz even more vulnerable. [REDACTED]

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